

EVERETT SCHOOL DISTRICT NO. 2  
Snohomish County, Washington  
September 1, 1995 Through August 31, 1996

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Schedule Of Findings

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1. District Officials Should Improve Cash Controls Over Associated Student Body (ASB) Funds At The School Level

Our prior audit, fiscal year 1994/95 (Audit Report No. 57524), disclosed weaknesses in ASB cash handling procedures, citing that established ASB policies and procedures were not completely and consistently implemented at the school level. During our current audit, fiscal year 1995/96, we conducted follow-up reviews of the ASB cash handling procedures and audited the internal controls at four additional schools. We again noted weaknesses in the district's internal controls over ASB funds:

Cash Receipting

- Receipts are not being consistently marked with mode of payment.
- Checks are not restrictively endorsed immediately upon receipt.
- At two of the schools visited, the ASB treasurers are inconsistent in making bank deposits timely.
- Four of the five ASB treasurers are not immediately counting and receipting the moneys received from various ASB activities.
- Cash count forms used to support receipts submitted to the ASB treasurer are often incomplete and/or prepared in pencil.
- At two schools, the custodians have a key to the drawer that houses undeposited receipts.

Fund Raisers and Activities

- Fundraiser files are not consistently and completely maintained to document the activity and final reconciliations. Further, documentation that is prepared is not turned in to the ASB treasurer for verification. No reviews are performed by the primary advisor.
- Documentation of in-class collections by teachers is often insufficient to ensure that all payments received were submitted to the ASB treasurer.
- Ticketed events (e.g. athletics games, plays, dances, etc.): The reconciliations of tickets issued to money collected and submitted to the ASB treasurer are not always accurate. For example, at one high school, the ticket reconciliation for

school plays was not turned in to the ASB treasurer for use in verifying receipts submitted.

#### Student Stores

- Student Store receipts are not always reconciled immediately and submitted to the ASB treasurer for deposit.
- Student Store physical inventory counts and reconciliations are inconsistent and incomplete. Further, the records for one high school could not be located.
- Access to Student Stores' inventory is not controlled. Anyone with a master key can access the inventory, which could invalidate any benefit of the physical inventory counts and reconciliations described above.

Although the district has taken corrective action in several areas in response to our prior audit report, we continue to find significant internal control weaknesses at several of the schools. We recognize the district's efforts to implement the prior year's recommendations and the corrective action taken during the current audit. The internal control weaknesses that continue to exist expose the district to the risk that errors and/or irregularities (e.g. fraud, theft) could occur that may not be discovered in a timely manner, if at all.

We recommend that district officials continue to monitor identified weaknesses and manage the risks associated with ASB activities, in accordance with the requirements outlined in the district's *ASB Procedures Manual*.

#### Auditee's Response

*As you mention in your draft report, the District has taken corrective action in response to your prior report. We will continue to work with the schools on strengthening internal controls through the implementation of the procedures outlined in the District's ASB Procedures Manual.*

#### Auditor's Concluding Remarks

We would like to thank Everett School District for their response and to acknowledge their efforts in addressing the concerns. Based upon the district's representations, it appears the matters delineated in our report are being addressed. We will follow up on these matters in our subsequent audits.